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FM SECSTATE WASHDC  
TO ALL DIPLOMATIC POSTS

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File

E.O. 11652: NA  
TAGS: NA  
SUBJECT: THE ALLOWANCES EMERGENCY

AFSA TELEGRAM

DELIVER TO: AFSA REPRESENTATIVE OR ALTERNATE/DISTRIBUTE  
CONSTITUENT POSTS

1. HOUSE WAYS AND MEANS COMMITTEE ON NOVEMBER 26, 1974,  
REPORTED OUT H.R. 17480, MAKING ALL FOREIGN SERVICE OVERSEAS  
SEAS ALLOWANCES TAXABLE. THIS WOULD HAVE EFFECT OF MAKING  
CONTINUATION IN THE FOREIGN SERVICE POSSIBLE ONLY FOR THE  
INDEPENDENTLY WEALTHY, AND FORCE MANY RESIGNATIONS.  
EFFORTS OF AFSA AND MANAGEMENT MAY SUCCEED IN KEEPING BILL  
FROM BECOMING LAW THIS SESSION, BUT WE NEED HELP OF EVERY  
ONE IN FOREIGN SERVICE TO DEFEAT THE BILL AND TO PREVENT  
IT FROM BEING RAISED AGAIN NEXT SESSION.

2. BACKGROUND ON THE BILL: ON NOVEMBER 26, WITHOUT HEAR-  
INGS OR ADVANCE NOTICE, HOUSE WAYS AND MEANS COMMITTEE  
BROUGHT OUT A LIMITED TAX REFORM BILL, WHOSE PRIMARY  
EFFECT WOULD BE TO PHASE OUT OIL DEPLETION ALLOWANCES AND  
TAX WINDFALL OIL PROFITS. UNFORTUNATELY, ONE PROVISION  
OF THE BILL (TITLE III, SECTION 311(B)), WILL PHASE OUT  
OVER NEXT THREE YEARS TAX EXEMPT STATUS OF ALL OVERSEAS  
FOREIGN SERVICE ALLOWANCES, INCLUDING REPRESENTATION,

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HOUSING, COST-OF-LIVING, EDUCATION, EDUCATIONAL TRAVEL,

SHIPPING AND TRANSPORTATION, AND A NUMBER OF OTHERS. THE BILL IS THE RESULT OF PRESSURE FROM A NUMBER OF ORGANIZATIONS, PARTICULARLY THE AFL-CIO, TO PRESS FOR TAX REFORMS AND STRIKE A BLOW AT MULTINATIONAL CORPORATIONS IN GENERAL AND OIL COMPANIES IN PARTICULAR.

3. EFFECT OF THE BILL ON THE FOREIGN SERVICE: EXCEPT FOR POST DIFFERENTIALS (HARDSHIP ALLOWANCES), FOREIGN SERVICE ALLOWANCES ARE DESIGNED TO ASSURE THAT THE EXTRAORDINARY COSTS OF LIVING OVERSEAS ARE OFFSET BY THE GOVERNMENT, JUST TO KEEP FOREIGN SERVICE PEOPLE ON A PAR WITH THOSE SERVING IN WASHINGTON.

IF BILL PASSES, MOST FOREIGN SERVICE EMPLOYEES WOULD HAVE \$5,000 TO \$25,000 ADDED TO THEIR TAXABLE INCOMES, WHICH WOULD ALSO PLACE THEM IN A SUBSTANTIALLY HIGHER TAX BRACKET. SERVICE AT MOST POSTS OVERSEAS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LIVING OFF ONE'S SALARY.

CONSIDER, FOR EXAMPLE, TWO INDIVIDUALS, ONE F80-4 AT A MODERATELY EXPENSIVE POST, AND A GS-13 IN WASHINGTON. ASSUME COMPARABLY SIZED FAMILIES. THE EFFECT, TAKING ONLY THREE ALLOWANCES (HOUSING, COST-OF-LIVING AND EDUCATION), WOULD BE AS FOLLOWS:

	F80-4 ABROAD	GS-13 IN
SALARY	822,200	822,800
ALLOWANCES (QUARTERS, EDUCATION, COST-OF-LIVING)	14,000	5,000
GROSS TAXABLE INCOME	836,200	827,800
INCOME TAX	8,200	3,800
ADJUSTMENT FOR HOUSING, EDUCATION AND COST-OF-LIVING	14,000	5,000
REMAINING DISPOSABLE INCOME	14,000	10,400

THE FOREIGN SERVICE EMPLOYEE WOULD THUS BE ALMOST \$1,500

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A YEAR WORSE OFF THAN A WASHINGTON-BASED EMPLOYEE. IF ALL ALLOWANCES WERE USED, THE EFFECT WOULD BE EVEN WORSE. LOWER PAID STAFF PERSONNEL WOULD HAVE THEIR DISPOSABLE INCOMES REDUCED BY EVEN LARGER PERCENTAGES. OUR PRELIMINARY STUDY INDICATES THAT SERVICE AT MOST POSTS OVERSEAS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LIVING OFF ONE'S SALARY. IF THIS LEGISLATION IS ALLOWED TO PASS, WE PREDICT THE RESULT WILL BE LARGE SCALE RESIGNATIONS FROM THE FOREIGN SERVICE OVER THE NEXT FOUR YEARS, AND THE

NEAR TOTAL DESTRUCTION OF THIS COUNTRY'S CAPACITY TO BE SERVED ABROAD BY THE BEST (AS OPPOSED TO THE MOST WEALTHY) INDIVIDUALS.

4. WHAT AFSA IS DOING ABOUT IT: THE BILL WAS REPORTED OUT OF COMMITTEE SO RAPIDLY THAT IT CAUGHT EVERYONE BY SURPRISE. INDEED, WE WERE PROBABLY THE FIRST ORGANIZATION TO LEARN THAT THIS HAD HAPPENED, HAVING BEEN TIPPED OFF THE MORNING OF THE VOTE. THAT SAME AFTERNOON, AS THE BILL WAS REPORTED OUT, WE INDICATED OUR OBJECTIONS TO THE COMMITTEE STAFF, NOTIFIED KEY INDIVIDUALS CONCERNED WITH FOREIGN AFFAIRS IN THE SENATE AND THE HOUSE, AND NOTIFIED CONCERNED LOBBYING ORGANIZATIONS. WE CONVENED AN EMERGENCY MEETING WITH SENIOR DEPARTMENT OFFICIALS, WITH WHOM WE WORKED OUT A COMMON STRATEGY FOR DEALING WITH THIS CRISIS. WE HAD AN IDENTITY OF INTERESTS ON THIS ISSUE, AND WERE ABLE TO CONVINCE THE AGENCIES TO INTERVENE DIRECTLY WITH THE CONGRESS. WITH MANAGEMENT WE AGREED AT THAT MEETING THAT QUIET, BEHIND-THE-SCENES PRESSURE WOULD BE THE BEST STRATEGY FOR DEALING WITH THE IMMEDIATE THREAT, BUT THAT A STRONG PUBLIC POSTURE WOULD BE ESSENTIAL THEREAFTER. THAT TIME HAS NOW ARRIVED. WHILE WE ARE CONTACTING EVERY SENATOR, KEY CONGRESSMEN AND DEALING WITH OTHER INTERESTED GROUPS, WE NEED YOUR HELP.

5. WHERE THINGS STAND NOW: WE MUST TAKE URGENT STEPS TO ASSURE THAT THIS BILL DOES NOT PASS THIS SESSION. THE BILL HAS A 60-50 CHANCE OR BETTER OF PASSING THE HOUSE THIS SESSION, BUT PROSPECTS IN THE SENATE ARE WEAKER. ACCORDINGLY, AFSA IS PUTTING MOST OF ITS EFFORTS INTO

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THE SENATE.

6. AFSA REPRESENTATIVES SHOULD URGENTLY BRING THIS INFORMATION TO ATTENTION OF ALL FOREIGN SERVICE PERSONNEL AND OTHER AFFECTED GOVERNMENT PERSONNEL AT POST. MEMBERS AT POST SHOULD IMMEDIATELY WRITE OR CABLE THEIR CONGRESSMAN AND ESPECIALLY THEIR TWO SENATORS, URGING THEM TO RESIST THIS PROVISION OF H.R. 17498 AND ANY LIKE IT WHICH MAY BE RAISED IN THE NEXT SESSION. IN DOING SO, INDIVIDUALS SHOULD STRESS HOW THEY WOULD BE AFFECTED PERSONALLY, CITING SPECIFICS. IF THESE PROVISIONS WOULD FORCE YOU TO RESIGN FROM THE SERVICE, OR REFUSE SERVICE AT EXPENSIVE POSTS, YOU SHOULD SO INDICATE.

7. AFSA REPS AND CHAPTERS ARE ALSO REQUESTED TO PREPARE A REPORT ON WHAT EFFECT THIS LEGISLATION WOULD HAVE ON PERSONNEL AT YOUR POST. THIS INFORMATION WILL BE INVALUABLE AS EVIDENCE IN DISCUSSING THE ISSUE WITH MEMBERS OF THE CONGRESS, THE PRESS, ETC. REGARDS, BOYATT

INTERESTED PARTY INGEROLL



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